



OHIO AUDITOR OF STATE
KEITH FABER



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Village of Palestine
Darke County
PO Box B
Palestine, Ohio 45352

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Village of Palestine, Darke County, (the Village) for the years ended December 31, 2018 and 2017.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 117.11(A). Because our procedures were not designed to opine on the Village's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Village's financial statements, transactions or balances for the years ended December 31, 2018 and 2017.

The Village's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Based on the results of our procedures, we found the following significant compliance issues to report.

Current Year Observations

1. The Village did not file the 2017 and 2018 annual financial reports timely. Ohio Rev. Code §117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year-end. Auditor of State Bulletin 2015-007 further states that the mandatory filing method is the Auditor of State's Hinkle System. The Village filed the 2017 and 2018 annual financial reports on September 12, 2019, which were not timely within 60 days after each fiscal year-end. The Village should file annual financial reports timely in the Hinkle system.
2. For December 31, 2018, General Fund appropriations of \$42,750 exceeded estimated resources of \$40,743.27 by \$2,006.73. Ohio Rev. Code §5705.39 limits appropriations to estimated resources. Because appropriations authorize spending, appropriating more than estimated resources potentially authorizes deficit spending. The Village should reduce appropriations to the amount of estimated resources.
3. The Village did not incorporate budgeted receipts or appropriations into the manual or computer accounting system. The Village should include estimated receipts and appropriations in the accounting system so that members of Council and other officials can make informed decisions and avoid potential deficit spending.
4. The Village did not deposit second half property tax settlement, local government funding, and motor vehicle license tax checks received from Darke County in August 2018 in the total amount of \$3,498.81 during 2018. These checks were reissued by the County and deposited by the Village during September 2019. The Village should implement procedures to verify all receipts are deposited in a timely manner and in the correct accounting period. Failure to do so could result in Findings for Adjustment in future audits.

5. The Village received a check from Darke County during October 2018 in the amount of \$7,602.32 for gasoline tax money payable to Patterson Township. The Village deposited the check into its bank account and recorded it on its ledgers (\$7,032.15 recorded in General Fund and \$570.17 recorded in Highway Fund). The Village Council formally voted on and approved writing a check to Patterson Township in the amount of \$7,602.32 on November 25, 2019 in order to remedy this issue. The Village should implement procedures to verify receipts deposited in its bank account and recorded on its ledgers are meant for the Village. Failure to do so could result in Findings for Recovery in future audits.
6. During 2017, the Village posted \$1,281 and \$104 in Supplemental Local Government Funds to the Street and Highway Funds, respectively, rather than allocating the receipts to the General Fund in the amount of \$1,385. During 2018, the Village posted \$1,285 and \$104 in Supplemental Local Government Funds to the Street and Highway Funds, respectively, rather than allocating the receipts to the General Fund in the amount of \$1,389. Also during 2018, the Village posted \$44 and \$4 in Permissive Motor Vehicle License Taxes to the General and Street Funds, respectively, rather than allocating the receipts to the Street and Highway Funds in the amounts of \$44 and \$4, respectively. Also during 2018, the Village posted \$692 and \$56 in Motor Vehicle License Taxes to the General and Street Funds, respectively, rather than allocating the receipts to the Street and Highway Funds in the amounts of \$692 and \$56, respectively. We requested management to adjust these amounts in the accounting records. We noted the Fiscal Officer adjusted these amounts on December 18, 2019.
7. During 2017, the Village paid Jill Schepis \$20.35 on December 4th for reimbursement of air fresheners and mop liquid purchased at the Dollar Store according to a typed message stating such. However, no receipt documentation was maintained to support the validity of the message and expenditure. The Village should implement procedures to maintain all supporting documentation for all expenditures. Failure to do so could result in Findings for Recovery in future audits.
8. During 2018, the Village paid Jennifer Scantland \$166.32 on August 6th for reimbursement of hotel expenses while attending new client UAN training in Columbus. However, she earned 1,416 points on her personal rewards club card. The Village should implement procedures to verify that employees do not financially benefit from Village business in addition to their agreed upon payroll through means such as personal loyalty cards at local businesses. Failure to do so could result in Findings for Recovery in future audits.
9. The Village paid its annual street lighting expenditure 100% from the Street Fund in 2017 and 100% from the General Fund in 2018. The expenditure should be allocated to the Street fund (for lights on Village streets) and the Highway Fund (for lights on State Highways in the Village). The Village should properly allocate its street lighting expenditures to the Street and State Highway Funds. Failure to do so could result in Findings for Adjustment in future audits.
10. During 2017 and 2018, the Village's part-time maintenance employee was paid from the General Fund and the Street Fund; however, these charges were not distributed based upon the work that was performed for the pay period. We noted that the part-time maintenance employee also performed work related to the Village's park; however, the Park Fund was not charged for work performed. In addition, Ohio Public Employees Retirement System and other tax withholdings were paid entirely from the General Fund rather than being allocated between the General Fund and the Street Fund in the same manner as the monthly payroll was allocated. The Village should clarify on the employee's time sheet the fund for which each category of work performed is to be charged. Failure to do so could result in Findings for Adjustment in future audits.

11. During 2018, the Village withheld taxes and pension contributions from employee's earnable salaries. The final 2018 withholding remittances for State of Ohio income taxes, Ohio school district income taxes, and Ohio Public Employees Retirement System (OPERS) pension contributions were due on January 31, 2019. However, all three payments were not made until February 3, 2019. The Village should implement procedures to pay all withholding remittances in accordance with prescribed due dates. Failure to do so could result in the assessment of interest or late fee penalties.

Current Status of Matters Reported in our Prior Engagement

1. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that General Fund disbursements in the amount of \$63,536 exceeded appropriations of \$34,210 by \$29,326 for 2016. During our procedures we noted this issue was corrected and was therefore not included as a repeat exception applicable to 2017 or 2018 above.
2. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the 2016 and 2015 annual financial reports were not filed in a timely manner on the Hinkle System in accordance with Ohio Rev. Code §117.38. The Village filed its 2016 and 2015 annual financial reports on June 1, 2017 and September 30, 2016, respectively, which were not within 60 days after each fiscal year-end. The 2015 annual financial report also did not consist of the required basic financial statements and notes to the basic financial statements. During our procedures we noted this issue was not corrected and was therefore included as a repeat exception applicable to 2017 and 2018 above.
3. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the Village did not incorporate budgeted receipts or appropriations into its manual or computer accounting system, to track budget versus actual receipts and expenditures throughout the year. During our procedures we noted this issue was not corrected and was therefore included as a repeat exception applicable to 2017 and 2018 above.
4. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the Village allocated receipts from Darke County to the incorrect funds and was requested to make fund adjustments. During our procedures we noted this issue was not corrected and was therefore included as a repeat exception applicable to 2017 and 2018 above.
5. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the Village allocated its annual street lighting disbursement to improper funds. During our procedures we noted this issue was not corrected and was therefore included as a repeat exception applicable to 2017 and 2018 above.
6. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the Village made improper transfers from the Street Fund to the General Fund. During our procedures we noted this issue was corrected and was therefore not included as a repeat exception applicable to 2017 or 2018 above.
7. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the Village's part-time maintenance employee was paid from the General Fund and the Street Fund; however, these charges were not distributed based upon the work that was performed for the pay period. We noted that the part-time employee also performed work related to the Village's park; however, the Park Fund was not charged for work was performed. In addition, Ohio Public Employees Retirement System withholding was paid entirely from the General Fund rather than being allocated between the General Fund and the Street Fund in the same manner as the monthly payroll was allocated. The Village should clarify on the employee's time sheet the fund for which each category of work performed is to be charged. During our procedures we noted this issue was not corrected and was therefore included as a repeat exception applicable to 2017 and 2018 above.

8. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the Village entered into a loan agreement on May 9, 2016 for the purchase of a truck and did not record the loan proceeds in the amount of \$5,245 or the on-behalf payment to the Ohio Department of Transportation in the amount of \$5,000 for the purchase of the truck and the loan fees in the amount of \$245 in their accounting records. The Village should implement procedures to ensure that all receipts and disbursements are properly posted to the Village's accounting records. During our procedures we noted this issue was corrected and was therefore not included as a repeat exception applicable to 2017 or 2018 above.
9. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that December 31, 2016, General Fund appropriations of \$34,210 exceeded estimated resources of \$32,344 by \$1,866. Ohio Rev. Code §5705.39 limits appropriations to estimated resources. Because appropriations authorize spending, appropriating more than estimated resources potentially authorizes deficit spending. The Village should reduce appropriations to the amount of estimated resources. During our procedures we noted this issue was not corrected and was therefore included as a repeat exception applicable to 2018 above.
10. Our prior audit for the years ended December 31, 2016 and 2015 included an exception that the Village's reconciled bank balance was \$632 more than the balance reported on the Village's books and that the checking account balance as only included on the monthly reconciliation, but not the money market savings account as well. The Village should include all bank accounts on its month-end reconciliation to determine that total Village fund balances reconcile with total bank balances. The Village should also identify and correct any unreconciled variances during the month-end reconciliation process. Failure to do so could result in undetected errors or irregularities. During our procedures we noted this issue was corrected and was therefore not included as a repeat exception applicable to 2017 or 2018 above.



Keith Faber
Auditor of State

Columbus, Ohio

December 23, 2019

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF PALESTINE

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 7, 2020**